

**Statement by
American Apparel & Footwear Association (AAFA)
Before The House Ways and Means Committee
U.S. China Trade
February 27, 2019
Submitted March 11, 2019**

The following statement is being submitted by the American Apparel & Footwear Association (AAFA) – the national trade association of the apparel and footwear industry, its suppliers and our consumer partners. AAFA represents more than 300 companies and 1,000 world famous name brands. Our industry employs nearly four million U.S. workers, and contributes more than \$400 billion in annual U.S. retail sales.

We are submitting this statement to make two main points regarding the Section 301 investigations.

- First, we strongly support the Administration's efforts to seek swift and meaningful resolution of the underlying disputes with China. Forced technology transfer and intellectual property theft undermine the ability of U.S. companies to create and advance American employment. AAFA members have a long and well documented history of working towards the improvement of Chinese intellectual property (IP) rights enforcement – especially in the domains of trademark, copyrights, patents, and trade secrets. While we have seen some progress in recent years, these gains are (at best) spotty, and insufficient to overcome systemic problems that hurt our members, their employees, and their shareholders. Thus, we absolutely cheer targeted efforts to ensure a sustained, long-term solution to this persistent problem. With that said, however, we are aware that recent trade tensions have chilled cooperative efforts.
- Second, we absolutely oppose the use of tariffs as a tool to advance the Section 301 investigation. We've made this point on multiple occasions directly to the Administration in comments, through meetings, and direct testimony. While we were pleased to see that no articles from Harmonized Tariff System (HTS) Chapters 61-64 – wearing apparel, home textiles, and shoes – were included on any of the tranches, we've been deeply dismayed to see many other items of key interest to our members, such as textiles, travel goods, hats, gloves, accessories, and related product categories (such as hangers and packaging), hit with punitive tariffs.

These tariffs:

- Are a hidden tax on U.S. consumers, especially on the many consumer products that are included.

- Harm our U.S. manufacturing base, adding a tax to the basic tools that we use to make products in the USA.
- Tax U.S. global value chains, and the millions of American workers they employ, because China is the dominant or only source for these categories.
- Trigger continued retaliation by China, further eroding U.S. manufacturing opportunities by taxing U.S. exports.

What's especially frustrating is these tariffs are coming on top of high tariffs that our industry already pays. During 2017, our industry paid 51 percent of all of America's tariff receipts, even though we account for only 6 percent of all items that are imported. For our companies – many of whom pay an annual tariff bill that is higher than their annual income tax bill – these extra costs are not sustainable.

Moreover, because our industry – like many other industries – are still heavily reliant on China as a global supply chain partner. In 2017, 84% of all U.S. travel goods imports, 71% of all U.S. footwear imports, and 42% of all U.S. apparel imports were sourced in China. Please recognize that the Administration's tariff policy is in effect asking U.S. companies to abandon efficient and compliant supply chains they have established and developed, embedded with U.S. values, over many years. While our members are desperately trying to diversify their sourcing from China, this process takes a long time to make sure new, compliant supply chains can be established. Undertaking such a disruptive and costly move, while paying high tariffs on goods still being imported from China, is daunting.

Lastly, we note with some irony that the tariffs are paid by U.S. branded companies (who also take steps to ensure their products comply with applicable laws and taxes) on products that convey their legitimate IP. Counterfeiters, on the other hand, will likely avoid these duties as the delta between legitimately traded items and their illegal knockoffs increases. This could have the unintended, adverse impact of driving certain consumers to purchase counterfeit goods as a cheaper alternative. Recognizing that trade tensions have also chilled cooperative IP efforts – as noted above – only make this situation more troubling.

In summary, we are truly pleased to see the Administration has started a dialogue with China. But let's make sure this dialogue helps, and does not come at the expense of, U.S. workers, U.S. companies, U.S. consumers, and U.S. communities.